



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

11 DEC 1998

MEMORANDUM FOR DSAC EXECUTIVE COMMITTEE MEMBERS

SUBJECT: DECISION MEMORANDUM AND MEETING SUMMARY – DSAC Executive
Committee Meeting of December 2, 1998

The Navy presented two examples of total ownership cost (TOC) reduction programs. Both programs were pursuing goals consistent with USD(A&T) expectations, assuming that all proposed initiatives are funded. However, funding is not assured – these programs will compete for resources in the Navy POM process. The need to track the accuracy and consistency of baselines, cost goals and metrics was emphasized, not just for individual programs but for all programs in aggregate. The USD(A&T) also emphasized that readiness should increase as cost reduction initiatives are implemented. All Services should, therefore, develop and report on readiness metrics.

Based on a sense of urgency due to rapidly increasing support costs and slow progress on initiatives to reduce them, the Executive Committee approved an accelerated schedule of steps that must be taken by July 1, 1999. As the first step in that process, all Services agreed to provide names of 10 pilot programs to Director, API, for the PM Oversight Life Cycle Support (PMOLCS) 912c study by December 14, 1998. Ten of the 30 pilot programs will become the DoD pilots; the PMOLCS study group was directed to prepare the February 1, 1999, report for Congress on these DoD pilot programs as required by Section 816 of the FY 1999 Defense Authorization Act. The Executive Committee felt that the PMOLCS study group charter contains sufficient authority to accomplish this task; the Services should provide the study group with management actions that will ensure that PMs have the responsibility for oversight of the performance of product support functions. It was also decided that the 10 DoD pilots would be the primary test beds for pilot activities generated by the Product Support 912c study. The DSAC will continue to track all 30 Service pilot programs. The Executive Committee also agreed that while the DoD pilot programs are important, it is more important that the Services pursue TOC reduction in all programs and report aggregate savings to the DSAC. The DoD TOC focal point would be responsible for facilitating the entire process.

The DSAC strategy paper, "Into the 21st Century," was redistributed to the Executive Committee for final comments. Although comments from the initial distribution have been incorporated, new Executive Committee members have not had an opportunity to review the paper. Comments must be returned to DUSD(AR) by December 11, 1998, after which time, the USD(A&T) will sign the forwarding memorandum and release the paper.

The attachment briefly summarizes the meeting and provides the status of the open action items.

Stan Z. Soloway
Deputy Under Secretary of Defense
(Acquisition Reform)

Attachment:
As stated



DISTRIBUTION:

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**Defense Systems Affordability Council
Executive Committee Meeting
December 2, 1998**

Meeting Purpose:

- (1) Review and approve Navy total ownership cost (TOC) reduction pilot program implementation plans and goals.
- (2) Decide on next steps for TOC pilots.
- (3) Re-circulate DSAC strategy paper for new DSAC membership.

Agenda:

<u>Topic</u>	<u>Speaker</u>	<u>Duration</u>
Opening Remarks	Dr. Jacques Gansler	10
Navy TOC Reduction Program	Mr. Ron Rosenthal	50
.....	CAPT Cable and CAPT Manville	
Future Direction for TOC Pilots	Mr. Stan Soloway	25
Closing Remarks	Dr. Jacques Gansler	5

Meeting Summary:

The USD(A&T) opened the meeting by expressing his concerns about rapidly increasing TOC and the slow pace of progress in attacking the problem. He solicited ideas on how to accelerate progress and create a greater sense of urgency. This was the first DSAC Executive Committee meeting with altered composition and operating procedures. The USD(A&T) made changes to help accelerate progress toward TOC reduction. To ensure that discussions involved the right people, the four service programmers were added to the Executive Committee. In order to generate more frank discussions, the size of the meetings was reduced. Several OSD offices were dropped from Executive Committee membership and attendance was limited to principals or their deputies.

The Navy briefing highlighted two illustrative TOC reduction programs -- the H-60 and CVX. The Navy is implementing TOC reduction across all of its ACAT 1 and 2 programs by December 31, 1998, plans for ACAT 3 and 4 programs will be completed by June 30, 1999. Both programs are pursuing goals consistent with USD(A&T) expectations. The need to track the accuracy and consistency of baselines was emphasized in order to accurately assess cost reduction achievements. The presentation highlighted the process and cultural changes that must take place to better integrate Acquisition and Logistics -- a key action necessary for success of the Navy initiatives. The issues of providing incentives to program offices (e.g., individual versus group incentives or whether they are necessary) and the need for senior management commitment were discussed. Funding for TOC reduction initiatives was raised as an issue because these programs must compete for resources in the Navy POM process.

Dr. Gansler inquired whether improvements in readiness could be measured as a result of TOC reduction actions which enhance reliability and was told that, indeed, in some cases there is a direct correlation. He, therefore, directed the Services to track and report back on readiness metrics.

The DSAC Secretariat led a discussion on the future direction for TOC pilots. USD(A&T) stated his support for the Navy, and all the Services, to implement TOC reduction initiatives across all programs and expressed keen interest in the aggregate achievements of TOC reduction. He reiterated his concern about the perceived department-wide lack of urgency in attacking TOC. The Executive Committee, therefore, approved an accelerated schedule of steps that must be taken by July 1, 1999, as shown below:

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|---|---------------|
| • Each Service identify 10 candidate pilots | • December 14 |
| • USD(A&T) approve 10 DoD pilots | • January 1 |
| • Develop Integrated product and process framework for TOC and TOC reduction | • January 15 |
| • Identify cost baselines, time-phased goals and metrics | • February 1 |
| • DoD pilots report to Congress as required by Section 816 of Authorization Act | • February 1 |
| • Report on 912c recommendations | • March 1 |
| • 912c policy implementation | • April 1 |
| • Progress assessment to DSAC | • July 1 |

As the first step in that process, all Services agreed to provide names of 10 pilot programs to Director, API, for the PM Oversight Life Cycle Support (PMOLCS) 912c study by December 14, 1998. Ten of the 30 pilot programs will become the DoD pilots; the PMOLCS study group was directed to prepare the February 1, 1999, report for Congress on these DoD pilot programs as required by Section 816 of the FY 1999 Defense Authorization Act. The Executive Committee felt that the PMOLCS study group charter contains sufficient authority to accomplish this task; the Services should provide the study group with management actions that will ensure that PMs have the responsibility for oversight of the performance of product support functions. It was also decided that the 10 DoD pilots would be the primary test beds for pilot activities generated by the Product Support 912c study. The DSAC will continue to track all 30 Service pilot programs. The Executive Committee also agreed that while pilot programs are important, it is more important that the Services pursue TOC reduction in all programs and report aggregate savings to the DSAC. The DoD TOC focal point would be responsible for facilitating the entire process.

The DSAC strategy paper, "Into the 21st Century," was redistributed to the Executive Committee for final comments. Although comments from the initial distribution have been incorporated, new Executive Committee members have not had an opportunity to review the paper. Comments must be returned to DUSD(AR) by December 11, 1998, after which time, the USD(A&T) will sign the forwarding memorandum and release the paper.

Attendance

MEMBER	OFFICE	ATTENDING
Dr. Jacques Gansler	Under Secretary Of Defense (Acquisition & Technology)	Dr. Jacques Gansler
Mr. Bill Lynn	Under Secretary Of Defense (Comptroller)	Mr. Ron Garant
Hon. Page Hoyer	Assistant Secretary Of The Army (Research, Development & Acquisition)	Dr. Herb Fallin
Dr. Lee Buchanan	Assistant Secretary Of The Navy (Research, Development & Acquisition)	Dr. Lee Buchanan
LtGen Gregory Martin	Assistant Secretary Of The Air Force (Acquisition)	Mr. Blaise Durante
Mr. Stan Soloway	Deputy Under Secretary Of Defense (Acquisition Reform)	Mr. Stan Soloway
LTG Mike McDuffie	Director For Logistics, J4, Joint Staff	LTG Mike McDuffie
LtGen Frank Campbell	Director For Force Structure, Resources & Assessment, J8, Joint Staff	Bgen Hoss Cartwright
VADM James Amerault	Deputy Chief Of Naval Operations (Logistics) (OPNAV N4)	RADM Bill Klemm
LtGen John Handy	Deputy Chief Of Staff For Installations & Logistics (AF/LL)	MajGen Michael Zettler
MajGen Jeffrey Higginbotham	Deputy Chief Of Staff For Installations & Logistics (USMC)	Mr. Ralph Kennedy
Mr. Eric Orsini	Deputy Assistant Secretary of the Army (ILE - Logistics)	Mr. William Croom
LtGen Roger G. Dekok	Deputy Chief of Staff (Plans & Programs) (Air Force)	Mgen Wehrle
LTG David K. Heebner	Assistant Vice Chief of Staff (Army)	LTG David Heebner
VADM C. C. Lautenbacher	Deputy Chief of Naval Operations (Resources, Warfare Requirements, & Assessments)	Mr. Irv Blickstein

DSAC Action Tracking

SUBJECT: Develop TOC reduction plans for major programs.

ACTION: Based on a sense of urgency due to rapidly increasing support costs, the Executive Committee approved an accelerated schedule of steps that must be taken by July 1, 1999. As the first step in that process, all Services agreed to provide names of 10 pilot programs to Director (API) for the PM Oversight Life Cycle Support (PMOLCS) 912c study by December 14th.

STATUS: Ten of the 30 pilot programs will become the DoD pilots; the Services should provide the PMOLCS study group with management actions that will ensure that PMs have the responsibility for oversight of the performance of product support functions. The 10 DoD pilots will be test beds for pilot activities generated by the Product Support 912c study. The DSAC will continue to track all 30 Service pilot programs. The Services should continue to pursue TOC reduction in all programs and report aggregate savings to the DSAC.

SUBJECT: Activities of the DoD TOC focal point.

ACTION: The DoD TOC focal point should work with a senior level integrated group of all stakeholders to (1) coordinate and streamline TOC activity and (2) develop a DoD roadmap for the reduction of TOC.

STATUS: Feedback on action plans obtained at the PEO/SYSCOM Commanders' Conference. Finalization of activities continuing. Action items obtained at the PEO/SYSCOM Commanders' Conference being coordinated. The DoD TOC focal point will be responsible for facilitating the entire pilot program process.

SUBJECT: Acquisition cycle time reduction.

ACTION: For post 1997 new program starts, aim for a 50% reduction in acquisition cycle time. DUSD (AT) and Director, API, are coordinating a task force to attack this issue.

STATUS: The task force efforts are ongoing. A top-level strategy for reducing cycle time is in staffing. Current findings indicate that drastically reduced cycle times can only be achieved by: (1) substantiating the business case for shorter cycle times, (2) applying a preferred acquisition approach which will facilitate achievement, and (3) making cycle time a planning and execution constraint. A briefing on the cycle time business case was presented to the PDUSD(A&T) on September 15. Based on results from the PEO/SYSCOM Commanders' Conference and subsequent meetings with the PDUSD(A&T), guidance for the Services is being coordinated.

SUBJECT: Develop a draft white paper describing the DSAC approach to affordability.

ACTION: DUSD(AR) work with other members of the Executive Committee to develop a draft paper by *March 9, 1998*.

STATUS: Comments from the initial distribution have been incorporated and a revised paper has been distributed to the Executive Committee for final comment. Comments must be returned to the DUSD(AR) by December 11, after which time the USD(A&T) will sign the forwarding memorandum and release the paper.

SUBJECT: Identify objectives, metrics, and time lines to track progress on DSAC Associated Groups critical activities; relate them to the DSAC stretch goals, NPR goals, and/or DRI goals; and identify the key actions.

ACTION: DSAC Associated Groups provide these data to the DSAC Secretariat by *March 30, 1998*.

STATUS: Development of metrics has proven to be a very difficult task. The SESG has formed a working group to develop and populate a framework for metrics. The findings of this working group have implications on the efforts of the other Associated Groups. Findings of the working group will be integrated with the work of the DSB Task Force on Defense Acquisition Reform, Phase IV. Recommendations will be developed for next steps.